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Resources, Community, and
Economic Development Division

B-286088

September 29, 2000

The Honorable Henry J. Hyde
The Honorable Jesse Jackson, Jr.
House of Representatives

Subject: Airport Financing: Use of Funds for Capital Improvements at Chicago
O'Hare International Airport

This report responds to your concerns about the funds provided and spent at Chicago O'Hare International Airport for capital improvements in light of the questions you have raised about the capacity of the airport system in the Chicago area. Specifically, you asked us to determine funding sources for capital improvements at Chicago's O'Hare International Airport from 1990 through 1999 and the type of projects this funding was spent on. As agreed, we focused our work on the following four funding sources:

- the Airport Improvement Program (AIP), a grant program administered by the Federal Aviation Administration (FAA). Historically, somewhat more than 50 percent of this funding has been allocated on the basis of formulas mandated by the Congress, although FAA has discretionary authority to allocate part of the funds on the basis of specific needs identified by airports. If all formula changes associated with funding AIP at levels authorized in AIR 21¹ are implemented, the share of AIP allocated by formula would increase above 60 percent.
- passenger facility charges (PFC), a per-passenger fee levied on each passenger enplaning at the airport. Airports have more flexibility using these funds than using AIP, although FAA still must approve an airport's application to impose this fee, as well as the total amount to be collected and the projects to be funded with the proceeds.
- General Airport Revenue Bonds (GARB) issued by the city of Chicago, which owns and operates the airport. These bonds are secured by a pledge of the general revenues of Chicago O'Hare International Airport.

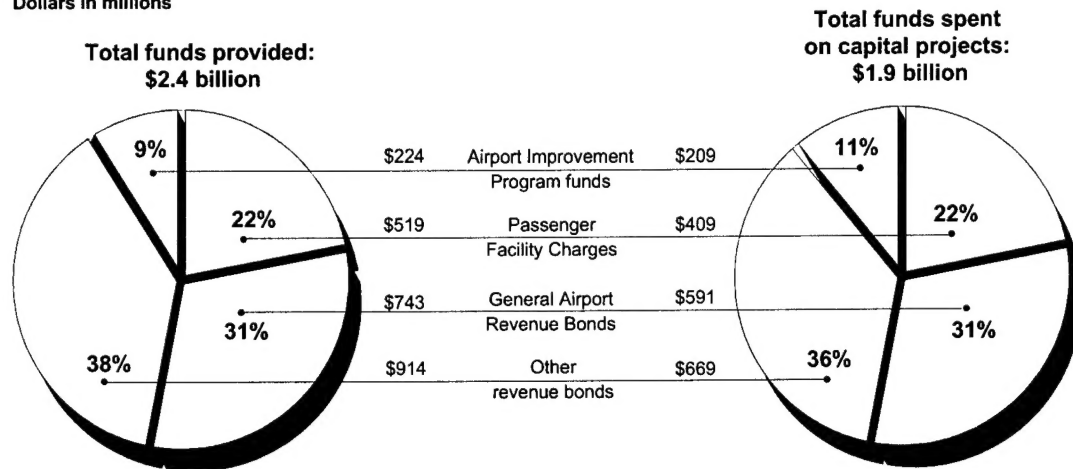
¹ The Wendell H. Ford Aviation Investment and Reform Act for the 21st Century, P.L. 106-181, signed April 15, 2000.

- other revenue bond funds that are not secured by general airport revenues, but by specific sources of airport income. In the last 10 years, the city of Chicago has issued bonds backed by revenue collected from the PFC program and bonds backed by revenue generated specifically from the international terminal at the airport.

In summary, we found that from 1990 through 1999, these four funding sources provided the city of Chicago with \$2.4 billion for use at O'Hare International Airport. Of this amount, the city spent about \$1.9 billion for capital improvement projects. A portion of the remainder was spent on capitalized interest during the construction period of the capital improvement projects, certain debt service payments, and related financing costs. As of December 31, 1999, approximately \$205 million was available for capital improvement projects and earmarked for future projects, according to city officials. Figure 1 shows the amounts provided and spent for capital improvement projects from each of the four funding sources. These amounts represent the nominal sums of the dollars spent each year and have not been adjusted for inflation. In enclosure V, we show figure 1 with amounts provided and spent in constant (inflation-adjusted) 1999 dollars.

Figure 1: Funds Provided and Spent for Capital Improvements, by Funding Source, 1990 Through 1999

Dollars in millions



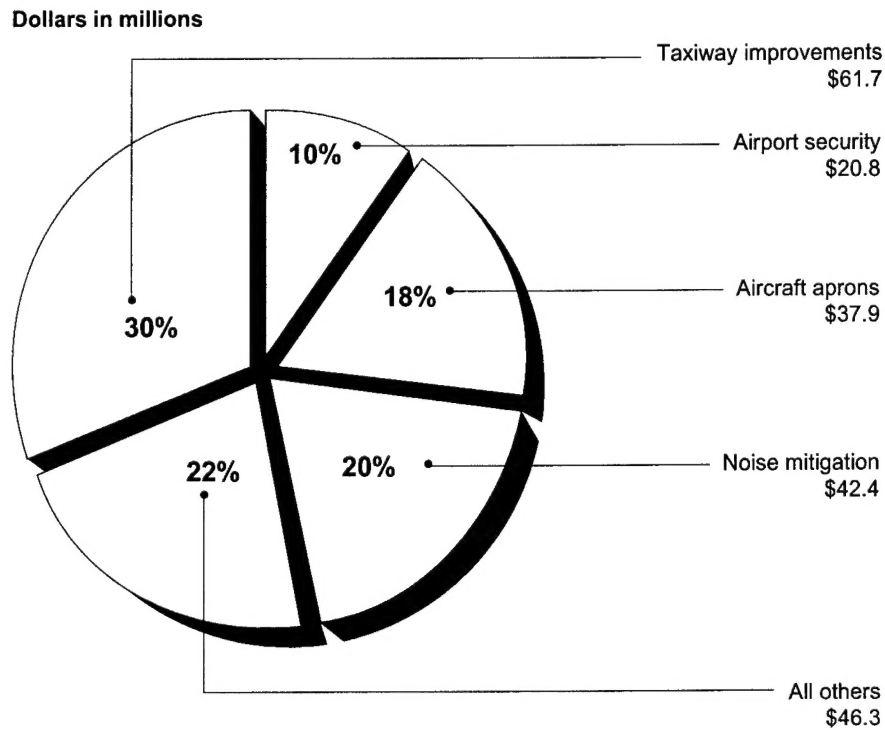
Note: The \$519 million available from the PFC program represents 23 percent of the \$2.2 billion FAA has approved for collection through 2017.

Source: GAO's analysis of FAA's and Chicago's data.

The types of capital projects varied by funding source. For example, over two-thirds of the AIP funds were spent on taxiways, noise mitigation, and aircraft parking aprons, while PFC funds were distributed more widely among additional types of projects, such as terminals and runway rehabilitation. A substantial amount of the funds from GARBs purchased property adjacent to the airport from the federal government, and most of the funds from other bonds were used for improvements at the international terminal. The types of capital projects at O'Hare airport and the amounts spent on them were as follows for each of the specific sources:

- AIP funding:** The city has spent \$209 million of the \$224 million available for capital improvements, mainly for four types of projects: taxiways, noise mitigation, aircraft aprons, and security. (See fig. 2.) These four project types accounted for 78 percent of the total AIP funds spent from 1990 through 1999. The remaining funds have been earmarked for specific projects. For the period of our review, most AIP funds were spent in the early 1990s, before the shift to the newly created PFC program.

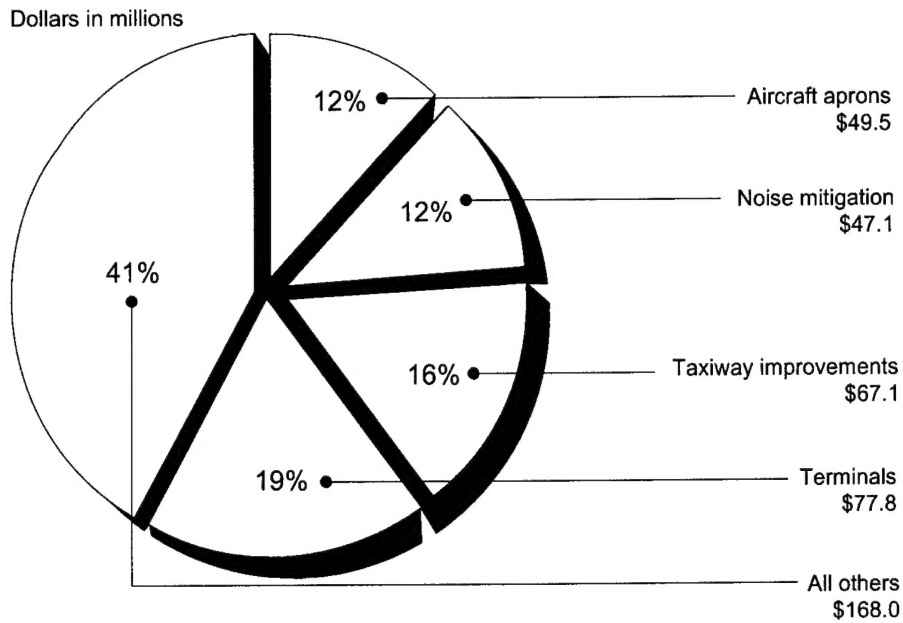
Figure 2: AIP Funds Spent on Capital Projects at O'Hare International Airport, 1990 Through 1999



Source: GAO's analysis of FAA's data.

- PFC funding:** Since the city first began collecting a PFC in late 1993, it has spent \$409 million of the total collected through 1999. About 60 percent of this amount funded four types of projects: airport terminal rehabilitation, taxiway improvements, aircraft aprons, and noise mitigation. (See fig. 3.)

Figure 3: PFC Funds Spent on Capital Projects at O'Hare International Airport, 1993 Through 1999

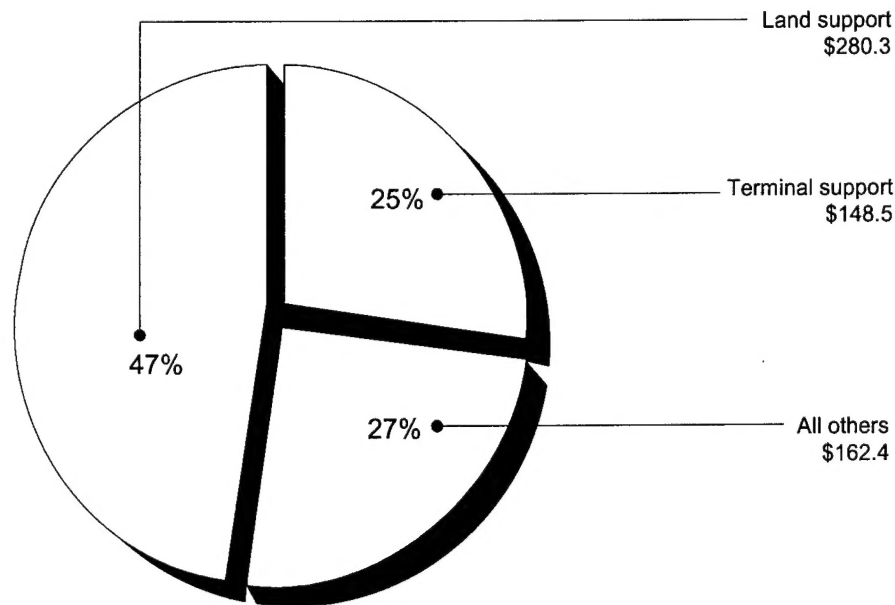


Source: GAO's analysis of Chicago's data.

- General Airport Revenue Bonds:** Of the \$743 million derived from GARBs from 1990 through 1999, the city has spent \$591 million on capital projects,² mainly for land and terminal support, which includes land purchased from the federal government, access roads, and parking structures³. (See fig. 4.) The remainder of the proceeds is earmarked for future use on capital projects.

Figure 4: GARB Funds Spent on Capital Projects at O'Hare International Airport, 1990 Through 1999

Dollars in millions



Note: Percentages do not add to 100 because of rounding.

Source: GAO's analysis of Chicago's data.

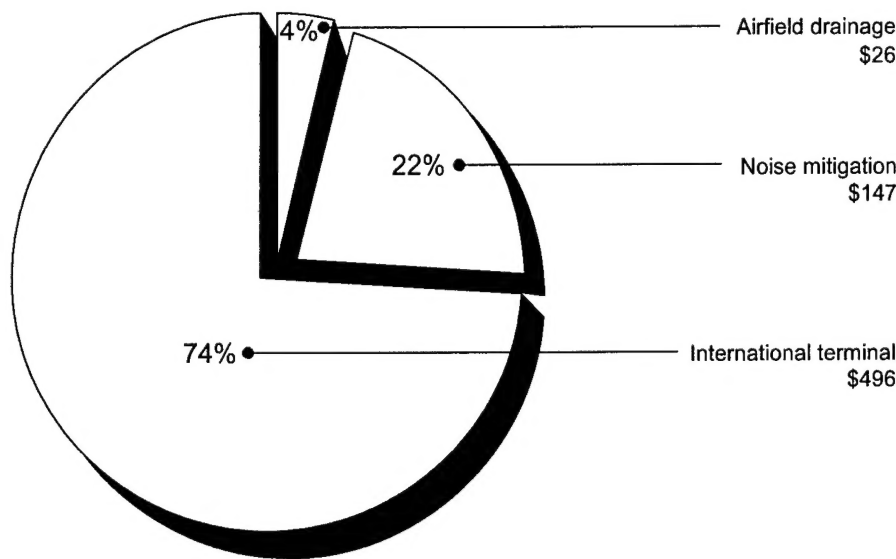
² In addition, Chicago paid \$155.6 million in capitalized interest on these bond funds that did not go directly to the projects.

³ During the same time period, Chicago also issued nearly \$1.5 billion in GARBs to refinance existing debt. Because these funds were not available to the city for capital projects, we did not include them in our analysis.

- **Other revenue bond funds:** Of the \$914 million generated from other bonds, the city has spent about \$669 million on capital projects—specifically, the international terminal, noise mitigation, and airfield drainage improvements.⁴ (See fig. 5.) The remainder was used to fund capitalized interest and debt service reserve funds for these bonds, except for \$29 million which is earmarked for future use on noise mitigation and airfield drainage improvements.

Figure 5: Other Revenue Bond Funds Spent on Capital Projects at O'Hare International Airport, 1990 Through 1999

Dollars in millions



Source: GAO's analysis of Chicago's data.

Enclosures I through IV provide more details about each of these funding sources.

Agency Comments

We provided a draft of this report to the Department of Transportation (DOT) and the city of Chicago for their review and comment. FAA responded for DOT. Both FAA and city of Chicago officials also provided us with technical clarifications, which we incorporated as appropriate.

Scope and Methodology

To determine the funding sources, we obtained information from financial data provided by FAA and the city of Chicago. Our analysis covered the period from 1990

⁴ Chicago paid an additional \$47.4 million in capitalized interest on these bonds that did not go directly to the projects.

through 1999, except for PFCs, which were not a source of revenue to the city until 1993. All figures reported in this report and in enclosures I through IV are presented in nominal dollars, that is, without any adjustment for the inflation that has reduced the purchasing power of the dollar during this period. In enclosure V, we present figure 1 in constant (inflation-adjusted) 1999 dollars. We used the Department of Commerce's chain-type price index for gross domestic product to convert from nominal to constant dollars.

For the AIP amounts, we used data and records supplied by FAA. The data reflect the actual amounts of AIP funding that FAA released to the city of Chicago. Because of time constraints, the city was not able to review and reconcile any differences between FAA's data and records and the data and records maintained by the city.

For the PFC amounts approved for collection, we used FAA's database of PFCs and FAA's Record of Decision, which approves the PFC applications. For actual PFC collections and use, we used financial data provided by the city of Chicago. The data were derived from the Independent Auditor's Report and Financial Statements prepared for O'Hare International Airport. For the period 1990 through 1999, these audits have concluded the financial statements present fairly, in all material respects, the airport's financial position. We did perform limited cross-checking of information with external sources to assess the reasonableness of the expenditure data. To do this, we obtained quarterly reports on revenue and expenditures provided to FAA by the city of Chicago. The city's reports on PFC expenditures are also audited annually by an independent auditor. We reviewed the audit reports to ensure that no problems were noted with these amounts.

We obtained information on bonds from bond prospectuses, expenditure listings, and other data supplied by the city of Chicago. We did not verify the accuracy of this information, but it is part of the financial statements of O'Hare International Airport, which is audited annually by an independent auditor.

We also interviewed officials at FAA's PFC Branch, the Great Lakes Regional Office Airports Division, and the Chicago Airports District Office. At the city of Chicago, we discussed the use and reporting of airport revenues with representatives of the office of the City Comptroller, the Department of Law, and the Department of Aviation.

We conducted our review from May through August 2000 in accordance with generally accepted government auditing standards.

Unless you publicly announce its content earlier, we plan no further distribution of this report until 5 days after its issue date. At that time, we will send copies of the

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report to the Honorable Rodney E. Slater, Secretary of Transportation; the Honorable Jane F. Garvey, Administrator, Federal Aviation Administration; and other interested parties. We will also make copies available to others on request.

If you have any questions about this report, please call me at (202) 512-2834. Key contributors to this report were Steven Calvo, Christopher Jones, Christopher Hatscher, and Randy Williamson.

Gerald L. Dillingham, Ph.D.
Associate Director
Transportation Issues

Enclosures- 5

Airport Improvement Program Grants

Airport Improvement Program (AIP) grants are made available from the Airport and Airway Trust Fund⁵ and are distributed in accordance with provisions contained in title 49 of the United States Code. Specifically, AIP funds are distributed by formula for use at a specific airport or in a specific state or insular area are referred to as apportionments. Under AIP, the funds are broken down as passenger entitlements, which are apportioned based on the number of enplaned passengers; cargo entitlements, which are apportioned based on the landed weight of all cargo aircraft; state apportionment, which is based on population and area; and Alaska supplemental, which is apportioned according to a grandfather provision for amounts apportioned in 1980.

A second type of fund is the Small Airport Fund, portions of which can be used for projects at small hub, nonhub, commercial service, and general aviation airports. The remaining funds are for use at the discretion of the Secretary of Transportation. The restrictions are commonly referred to as discretionary set-asides. Of the remaining funds, 75 percent is set aside for primary airports and relievers for capacity, safety, security, or noise projects and 25 percent for any eligible project at the discretion of FAA. These discretionary funds may also be restricted to certain types of work or airports. For example, there are set-asides for the noise planning and projects and for projects within the Military Airport Program.

Airports must share in the cost of projects approved for AIP funding. The airports' share of costs varies with the type of airport and type of project. For large primary airports,⁶ such as O'Hare International, the federal share is equal to 75 percent of a project's allowable cost.⁷ The FAA defines the project's scope in the grant agreement. The city of Chicago funds the difference.

From fiscal years 1990 through 1999, the city of Chicago spent about \$209 million of \$224 million in AIP funds available for projects at O'Hare. The funds were spent on 11 different types of projects. (See table 1.) Four of the project types—taxiway improvements, noise mitigation, aircraft aprons, and security—account for 78 percent of the total. The remaining \$15 million has been earmarked for specific projects.

⁵ The Trust Fund is financed by taxes on domestic and international airline travel, domestic cargo transported by air, and noncommercial aviation fuel.

⁶ By law, AIP projects for large- and medium-hub airports, those that enplane 0.25 percent or more of the total annual U.S. enplanements, have a 25-percent local match requirement.

⁷ For noise planning and mitigation, the ratio for large- and medium-hub airports is 80/20 federal/local.

Enclosure I

Table 1: AIP Expenditures for O'Hare International Airport, by Project Type, Fiscal Years 1990 Through 1999

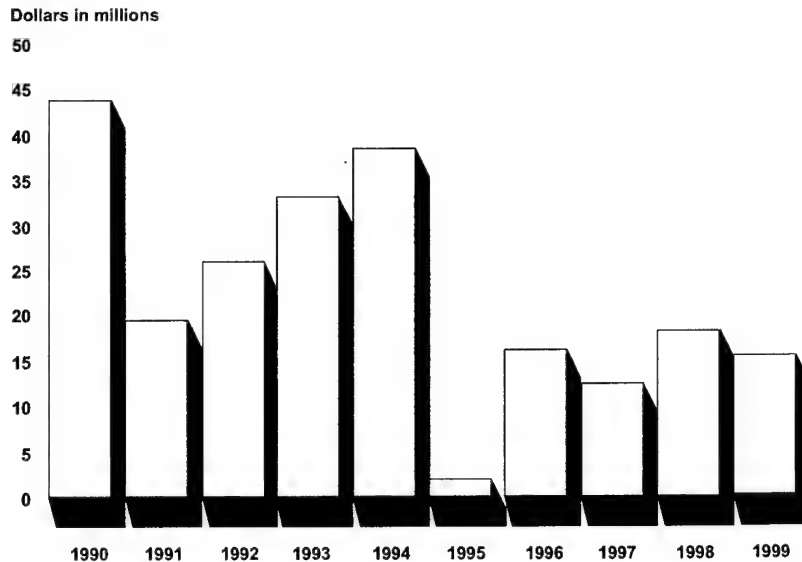
| Project type | Expenditures | | Examples of projects |
|----------------------|----------------------|------------------|---|
| | Amount | Percent of total | |
| Taxiways | \$61,676,811 | 30 | <ul style="list-style-type: none"> • Construction of high-speed exit taxiway • Rehabilitation of parallel taxiway "H" |
| Noise mitigation | 42,355,040 | 20 | <ul style="list-style-type: none"> • Design and construction to soundproof O'Hare area schools. |
| Aprons | 37,877,919 | 18 | <ul style="list-style-type: none"> • Construction of international aircraft parking apron |
| Security | 20,817,341 | 10 | <ul style="list-style-type: none"> • Design and installation of an access control and intrusion detection system |
| Runways | 17,036,538 | 8 | <ul style="list-style-type: none"> • Overlay and regrooving of runway • Repair of runway pavement joints |
| Weather equipment | 7,958,098 | 4 | <ul style="list-style-type: none"> • Purchase of snowplows, blowers, brooms, and deicers |
| Roadways | 6,107,408 | 3 | <ul style="list-style-type: none"> • Construction of road to international terminal • Construction of new ditch bridge |
| Land | 4,892,000 | 2 | <ul style="list-style-type: none"> • Acquisition of leasehold rights to cargo facility |
| Terminal development | 4,129,215 | 2 | <ul style="list-style-type: none"> • Construction of terminal security bay • Upgrading and improving pedestrian corridors |
| Lighting | 3,922,198 | 2 | <ul style="list-style-type: none"> • Rehabilitation of runway/taxiway lighting • Installation of runway centerline lighting |
| Safety | 2,282,500 | 1 | <ul style="list-style-type: none"> • Purchase of 3000-gallon fire fighting vehicle • Installation of 625 taxiway guidance signs |
| Total | \$209,055,068 | | |

Source: GAO's analysis of FAA's data.

AIP amounts have varied substantially from year to year, from a high of \$43.7 million in fiscal year 1990 to \$1.9 million in fiscal year 1995. (See fig. 6.) Annual amounts have been lower in the second half of the decade than in the first half. Several factors contributed to this trend. First, during the 1990s, the lowest levels of AIP appropriations occurred in 1995 and 1996. Second, 1995 project funding was largely provided in 1994 with a multi-year grant award. Finally, the PFC program began at many airports, including O'Hare. The PFC program requires that large- and medium-hub airports like O'Hare return 50 percent of their AIP apportionment funds.

Enclosure I

Figure 6: AIP Grant Awards to the city of Chicago at O'Hare International Airport, Fiscal Years 1990 Through 1999



Source: GAO's analysis of FAA's data.

The shift away from AIP funding is further evident in the expenditure data, in that over half of the AIP funds for the decade were expended prior to fiscal year 1995. (See table 2.) The project types that consistently continued to receive AIP funding after this shift were taxiway construction and rehabilitation and noise mitigation.

Table 2: AIP Expenditures for O'Hare International Airport, by Year and Project Type, Fiscal Years 1990 Through 1999

Dollars in millions

| Project type | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | Total |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------|----------------|
| Taxiways | \$2.6 | 0 | \$3.3 | \$8.0 | \$20.6 | 0 | \$6.9 | \$10.6 | \$9.7 | 0 | \$61.7 |
| Noise mitigation | 5.2 | \$9.0 | 8.1 | 6.0 | 3.6 | \$1.9 | 4.1 | 1.8 | 2.6 | 0 | 42.4 |
| Aprons | 17.3 | 0 | 0 | 6.6 | 14.0 | 0 | 0 | 0 | 0 | 0 | 37.9 |
| Security | 16.2 | 0 | 4.5 | 0 | 0 | 0 | 0.1 | 0 | 0 | 0 | 20.8 |
| Runways | 0 | 0 | 6.4 | 4.9 | 0 | 0 | 0 | 0 | 5.8 | 0 | 17.0 |
| Weather equipment | 2.4 | 0 | 0.7 | 0 | 0 | 0 | 4.8 | 0 | 0 | 0 | 8.0 |
| Roadways | 0 | 6.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6.1 |
| Land | 0 | 0 | 0 | 4.9 | 0 | 0 | 0 | 0 | 0 | 0 | 4.9 |
| Terminal development | 0 | 2.8 | 1.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4.1 |
| Lighting | 0 | 1.7 | 1.6 | 0.7 | 0 | 0 | 0 | 0 | 0 | 0 | 3.9 |
| Safety | 0 | 0.3 | 0 | 2.0 | 0 | 0 | 0 | 0 | 0 | 0 | 2.3 |
| Total | \$43.7 | \$19.9 | \$25.9 | \$33.1 | \$38.3 | \$ 1.9 | \$15.9 | \$12.3 | \$18.1 | 0 | \$209.1 |

Note: Amounts may not add because of rounding. Fiscal year 1999 awards totaling \$15 million remained unspent as of September 30, 1999.

Source: Developed by GAO on the basis of FAA's data.

Passenger Facility Charges

In 1990, the Congress gave commercial airports the option to impose a Passenger Facility Charge (PFC) as an additional means to raise funds for airport development. Beginning in 1992, airports were able to collect up to \$3 per enplaned passenger.⁸ FAA must approve an airport's request to impose the fee, including the total amount to be collected and the projects to be funded. PFC funds can be used to further airport development by (1) preserving or enhancing airport safety, security, or capacity; (2) reducing noise; or (3) enhancing airline competition. To some degree, airports have more flexibility in using these funds than they have using some of the other major funding sources available to them—federal grants, state grants, bonds, and airport revenues. For example, PFCs may be used to build aircraft gates, while federal AIP grants may not. PFCs are more likely to be used for “land-side” projects,⁹ such as passenger terminal and ground access improvements.

FAA first approved PFCs at O'Hare in late 1993, and since that time has approved the city to collect over \$2.2 billion through late 2017 for 11 different types of projects. As of December 31, 1999, the city had collected \$519 million and spent \$409 million in PFC revenue on capital projects. The remaining amount has been approved to be spent on specific capital projects. The amount spent has risen since the program's inception in 1993, reaching a peak of \$107.7 million in 1999. (See fig. 7.)

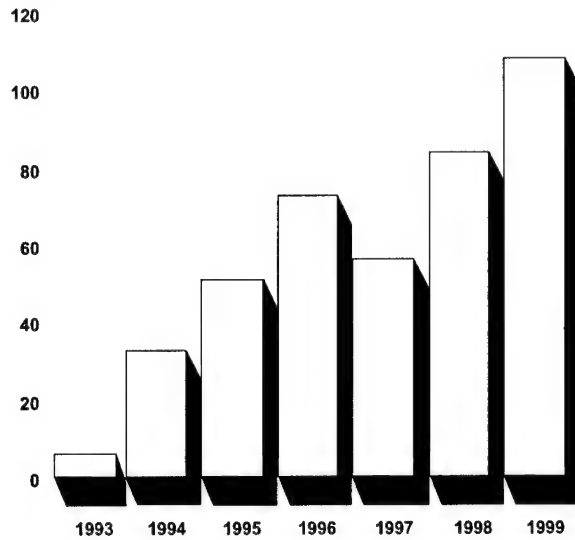
⁸ AIR 21 increased the ceiling for PFCs to \$4.50 per enplaned passenger.

⁹ In contrast to land-side projects, air-side projects include runways, taxiways, aircraft aprons, and safety-related projects.

Enclosure II

Figure 7: PFC Expenditures for O'Hare International Airport, 1993 Through 1999

Dollars in millions

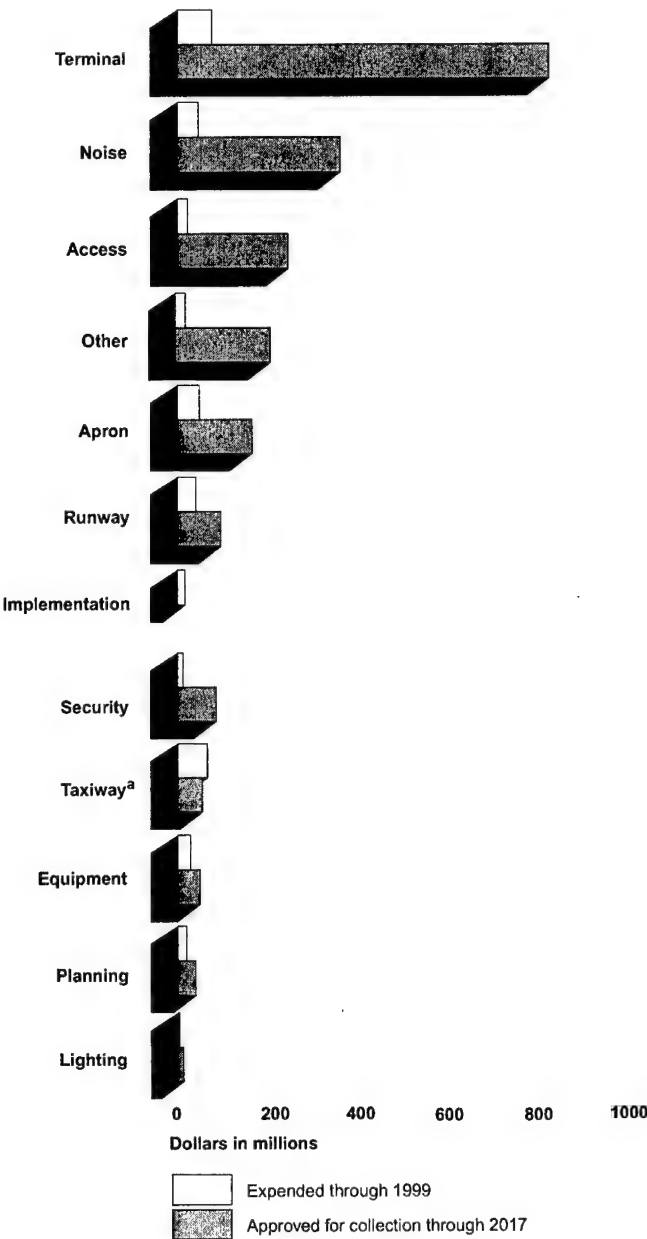


Source: GAO's analysis based on Chicago's data.

Most of the \$409 million of PFC funds that were spent through 1999 at O'Hare were for terminal construction and rehabilitation, taxiway improvements, aircraft aprons, and noise abatement. Figure 8 shows the amounts approved for collection through November 2017 and the amounts spent on each of the 11 project types through the end of 1999.

Enclosure II

Figure 8: PFC Funds Approved and Expended at O'Hare International Airport, by Project Type, 1993 Through 1999



Enclosure II

Notes:

Other is miscellaneous on-site projects, including service roads, fences, weather equipment, and environmental projects.

Implementation includes expenses for PFC program management and construction management costs, as well as consultation meetings, auditing, and legal services.

*The amount spent on taxiways may exceed the amount approved because PFC regulations (14 C.F.R. 158.37) allow an airport operator to collect up to 15 percent more than the amount approved on a PFC application without submitting an amendment to FAA.

Source: GAO's analysis based on Chicago's data.

As of December 31, 1999, the individual projects that received the most PFC funds are the international terminal (\$39.1 million), a new aircraft hold pad (\$31.4 million), and upgrades to airport concourse G (\$19.1 million). Table 3 provides more details on the capital projects that have been funded in each category.

Table 3: PFC Expenditures at O'Hare International Airport by Project Type, 1993 Through 1999

| Project type | Expenditures | | Examples of projects |
|---|----------------------|------------------|---|
| | Amount | Percent of total | |
| Terminals | \$77,841,172 | 19 | <ul style="list-style-type: none"> • International terminal common-use areas • Upgrading of concourses E/F/G |
| Taxiways | 67,114,812 | 16 | <ul style="list-style-type: none"> • Rehabilitation of multiple taxiways, including pavement markings and lighting |
| Aprons | 49,466,670 | 12 | <ul style="list-style-type: none"> • Construction of an aircraft hold pad • Rehabilitation of aprons at Concourses E/F/G/H/K |
| Noise mitigation | 47,107,097 | 12 | <ul style="list-style-type: none"> • Sound insulation for O'Hare area schools • Sound insulation for O'Hare area residences |
| Runways | 41,623,815 | 10 | <ul style="list-style-type: none"> • Rehabilitation of runways, including pavement replacement, markings and lighting |
| Equipment | 28,399,531 | 7 | <ul style="list-style-type: none"> • Acquisition of aircraft rescue and fire fighting equipment • Acquisition of snow removal equipment |
| Access | 23,455,053 | 6 | <ul style="list-style-type: none"> • Construction of airport transit system remote parking lot station • Repair of lower level terminal roadway |
| Other | 22,274,142 | 5 | <ul style="list-style-type: none"> • Improvements to airfield drainage • Rehabilitation of hangar service road • Repairs to cargo tunnel |
| Planning | 19,406,550 | 5 | <ul style="list-style-type: none"> • Conduct site, environmental, and construction analyses for PFC projects |
| Implementation and administrative costs | 17,178,263 | 4 | <ul style="list-style-type: none"> • PFC consultation meetings, auditing, and legal services • PFC program and construction management |
| Security | 12,021,210 | 3 | <ul style="list-style-type: none"> • Upgrades to perimeter guard posts • Upgrades to former military area to comply with FAA requirements |
| Lighting | 3,596,918 | 1 | <ul style="list-style-type: none"> • Acquisition of air traffic control tower lighting panel |
| Total | \$409,485,234 | | |

Source: GAO's analysis based on Chicago's data.

General Airport Revenue Bonds

The largest category of airport funding—for airports in general and also for O'Hare—is bonds. Because airport sponsors in the United States are nearly always local or state governments or a special public authority, the form of debt is usually a tax-exempt General Airport Revenue Bond (GARB). These bonds are secured by a pledge of an airport's revenue. The issuer pledges to make scheduled payments on the interest and principal over the life of the bond. These bonds tend to be used by large- and medium-sized airports whose revenues are large enough to provide adequate security.

From 1990 through the end of 1999, the city of Chicago issued about \$743 million in GARBs to finance new projects. Table 4 shows the bond issues and the primary purpose for the bond proceeds.

Table 4: GARBs Issued to Finance Capital Improvement Projects at O'Hare International Airport, 1990 Through 1999

| Bond issued | Amount | Primary purposes |
|---|----------------------|---|
| General Airport Revenue Bonds, 1990 Series A and Series B | \$244,035,000 | <ul style="list-style-type: none"> • Construction of international terminal • Construction of automated guideway transit system • Improvements to access roadway |
| General Airport Revenue Bonds, 1992 Series A | 130,055,000 | <ul style="list-style-type: none"> • Construction of international apron • Improvements to central terminal utilities • Improvements to roadways and parking |
| General Airport Second Lien Revenue Bonds, 1994 Series B | 68,700,000 | <ul style="list-style-type: none"> • Expansion of heating and refrigeration plant • Improvements to runway de-icing fluid facility • Rehabilitation of roads and parking |
| General Airport Second Lien Revenue Bonds, 1994 Series C | 83,800,000 | <ul style="list-style-type: none"> • Improvements to parking |
| General Airport Second Lien Revenue Bonds, 1996 Series A and Taxable Series B | 216,075,000 | <ul style="list-style-type: none"> • Acquisition from U.S. government of property located adjacent to the airport |
| Total | \$742,665,000 | |

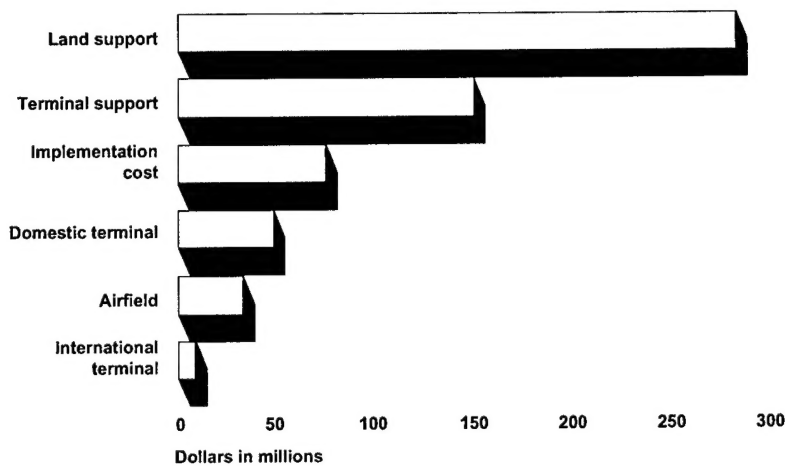
Source: GAO's analysis based on Chicago's data.

Over this period, about \$591 million of the GARB proceeds were spent on a variety of projects.¹⁰ These projects include runway and taxiway improvements, service roads, aircraft parking areas, terminal structures, heating and refrigeration plants, public parking facilities, roadways, walkways, ground transportation system, and land acquisition. The remaining funds are earmarked for future use on these projects. Figure 9 shows the specific categories in which proceeds were spent.

¹⁰ In addition to the \$591 million, the city paid an additional \$155.6 million in capitalized interest on these bonds.

Enclosure III

Figure 9: GARB Expenditures, 1990 Through 1999



Notes:

Land support costs consist of outlying areas that surround the airport's central core but are within its boundaries, such as land acquisition, signage, lighting, and the safety and security communication center.

Terminal support costs consist of public parking facilities, roadways, walkways, automobile rental areas, ground transportation system, and the O'Hare Hilton Hotel.

Implementation costs consist of costs associated with developing projects, such as project management and construction management.

Domestic terminal area costs consist of domestic terminal structures and a designated portion of the heating and refrigeration plant.

Airfield costs consist of aircraft parking areas, runways, taxiways, and service roads.

International terminal costs consist of designated portions of the heating and refrigeration plant related to the international terminal.

Source: GAO's analysis based on Chicago's data.

Other Revenue Bond Funds

Besides GARBs, the city of Chicago has issued other special revenue bonds for capital projects. We identified two types of special revenue bonds the city issued from 1990 through 1999- International Terminal Special Revenue Bonds and PFC Revenue Bonds. Like GARBs, these bonds were used to finance capital projects. However, these bonds differ from GARBs in that they are not secured by the airport's general revenue. Instead, they are secured with revenue from the international terminal and by the revenues collected from the PFC program.

From 1990 through 1999, the city of Chicago issued about \$914 million in these two types of bonds. Over this period, about \$669 million of these bond proceeds were spent on the International Terminal, noise mitigation, and airfield drainage improvements.¹¹ The remaining funds were earmarked for future use on noise mitigation and airfield drainage improvement projects. Table 5 shows the bond issues and the primary purposes for the bond proceeds.

Table 5: Other Bonds Issued to Finance Capital Improvement Projects at O'Hare International Airport, 1990 Through 1999

| Bond issued | Amount | Primary purposes |
|---|----------------------|--|
| International Terminal Special Revenue Bonds, Series 1990 A | \$489,735,000 | • Planning, designing, acquiring, constructing and equipping a new international terminal and all related facilities |
| International Terminal Special Revenue Bonds, Series 1992 | 174,550,000 | • Planning, designing, acquiring, constructing, and equipping a new international terminal |
| Passenger Facility Charge Revenue Bonds, Series 1996 A and 1996 B | 250,000,000 | • Noise mitigation projects • Improvements to airfield drainage |
| Total | \$914,285,000 | |

Source: GAO's analysis based on Chicago's data.

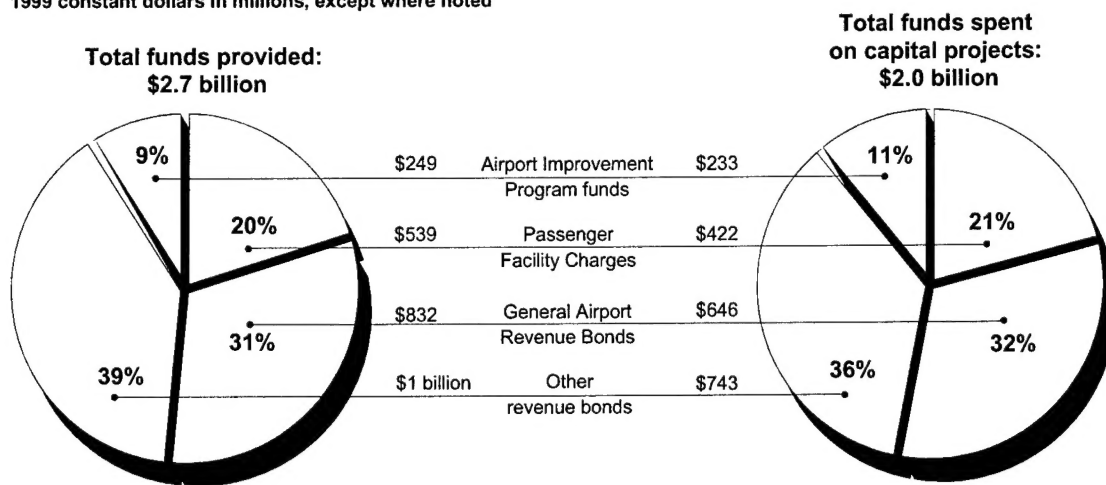
¹¹ In addition to the \$669 million, the city paid \$47.4 million in capitalized interest on these bonds.

**Funds Provided and Spent for Capital Improvement Projects,
1990 Through 1999**

Figure 1 (see p. 3) showed the amounts provided and spent for capital improvement projects at O'Hare from 1990 through 1999. Because inflation reduced the purchasing power of a dollar during this period, figure 10 shows the amount provided and spent at O'Hare in constant (inflation-adjusted) 1999 dollars. We used the Department of Commerce's chain-type price index for gross domestic product to convert from nominal to constant dollars.

Figure 10: Funds Provided and Spent for Capital Improvements, by Funding Source, 1990 Through 1999

1999 constant dollars in millions, except where noted



Source: GAO's analysis of FAA's and Chicago's data.

(348237)

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